

Part-Time Education Staff Associates (ESAs)

Background

Current TRS 1 statutes allow less-than-full-time members who spend more than 75% of their time as classroom instructors, librarians or counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. School counselors are certified ESAs and are the only category of ESAs allowed to annualize their salaries in the same manner as teachers and librarians. Other categories of ESAs include Psychologists, Social Workers, Nurses, Physical Therapists, Occupational Therapists and Speech Language Pathologists or Audiologists. None of these latter categories are currently allowed to annualize their salaries in order to receive proportionate retirement benefits for less-than-full-time service.

Committee Activity

Presentations:

June 15, 2004 - Executive Committee
November 9, 2004 - Full Committee

Proposal:

November 9, 2004 - Full Committee

Recommendation to Legislature

Permit all part-time ESAs in TRS 1 to annualize their salaries in order to receive proportionate retirement benefits for less-than-full-time service.

Staff Contact

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Select Committee on Pension Policy

Part-time Educational Staff Associates

(October 26, 2004)

Issue	Allow Certified Educational Staff Associates (ESAs) in the Teachers Retirement System (TRS) Plan 1 to annualize their salaries when calculating their average final compensation so they may receive proportionate retirement benefits.
Staff	Laura Harper, Senior Research Analyst/Legal (360) 586-7616
Members Impacted	This proposal impacts part-time ESAs in Plan 1 of the Teachers' Retirement System (TRS). We estimate that there are 30 part-time ESAs out of 11,175 members in TRS 1.
Current Situation	Current TRS 1 statutes allow less-than-full-time members who spend more than seventy-five percent of their time as classroom instructors, librarians, or counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. School Counselors are Certified ESAs, and are the only category of ESAs allowed to annualize their salaries in the same manner as teachers and librarians. Other categories of ESAs include Psychologists, Social Workers, Nurses, Physical Therapists, Occupational Therapists and Speech Language Pathologists or Audiologists. None of these latter categories are currently allowed to annualize their salaries in order to receive proportionate retirement benefits for less-than-full-time service.

Example

Under current law an ESA who is not a counselor and who works half-time for 30 years receives half the retirement benefit of a counselor despite making the same salary and contributions.

	Full-Time ESA	Half-Time Counselor	Half-Time Nurse
Salary	\$50,000	\$25,000	\$25,000
Annual Contributions	\$3,000	\$1,500	\$1,500
Retirement Benefit	\$30,000	\$15,000	\$7,500

History

This proposal was introduced to the Joint Committee on Pension Policy by correspondence from the Chair of the Professional Educator Standards Board dated October 29, 2002. The Joint Committee deferred consideration of this matter until 2003. At the end of 2003, the Select Committee on Pension Policy voted to recommend legislation for the 2004 session. SB 6250/HB 2542 passed in the House but stalled in Senate Rules.

Policy Analysis

There are seven Educational Staff Associate (ESA) positions employed by school districts: School Counselor, Psychologist, Social Worker, Nurse, Physical Therapist, Occupational Therapist, and Speech Language Pathologist or Audiologist. As in the case of teachers, those engaged in these activities must be certified.

According to the Superintendent of Public Instruction, the educational standards and certification course for these positions may be more rigorous than that of teachers. Counselors, psychologists, social workers and speech language pathologists/audiologists all require a Master's degree plus passage of a state-approved 30-hour certification course. Occupational therapists, physical therapists, and nurses require a Bachelor's degree plus the same 30-hour certification course.

The Legislative Evaluation and Accountability Program (LEAP) quantifies the education and training requirements for these positions in what is called a **mix factor**. A position with a mix factor of 1 requires a Bachelor's degree and no experience. In the latest School District Personnel Summary Profiles for the 2002-2003 school year, the mix factors for ESAs averaged 1.67 while the mix factor for teachers averaged 1.58.

There appears to be no particular reason why Counselors can annualize their salary in the same manner as teachers and librarians while other ESAs cannot. The proposal before the SCPP is to bring consistency to the treatment of part-time ESAs by allowing all of them to annualize their salaries so as to receive proportionate retirement benefits.

Stakeholder Input

See attachment from the Professional Educator Standards Board dated October 29, 2002.

Options

Only one option is proposed: to allow all currently excluded part-time ESAs in TRS 1 to annualize their salaries for determining their average final compensation and thus receive proportionate retirement benefits.

Bill Draft

A proposed bill draft is attached.

Fiscal Note (Draft)

A draft fiscal note on the proposed bill is attached.



STATE OF WASHINGTON

PROFESSIONAL EDUCATOR STANDARDS BOARD

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October 29, 2002

The Honorable Don Carlson
Washington State Senator
Chair, Joint Committee on Pension Policy
P. O. Box 40449
Olympia, WA 98504-0449

Dear Senator Carlson:

According to RCW 41.32.010, public school district or community college employees in an instructional position employed less than full-time and participating in the Teachers' Retirement System (TRS) may elect to have earnable compensation defined as the compensation the member would have received in the same position if employed on a regular full-time basis for the same contract period. This is for the purpose of calculating retirement benefits to ensure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit. The RCW defines "instructional position", however, as a position in which more than seventy-five percent of the member's time is spent as a classroom instructor, (including office hours), a librarian, or a school counselor. ESAs typically spend more than 75% of their day in direct contact with students, just not as "classroom instructors" as required by the current statute.

The Professional Educator Standards Board advises state policymakers on issues affecting certified Washington educators, including certified educational staff associates (ESAs). Through our work we've become keenly aware of the crucial role all ESAs play in supporting student learning. In addition to the role of school counselors referenced in RCW 41.32, certified ESAs also include school psychologists, social workers, speech and language pathologists, audiologists, school nurses, school occupational therapists, and school physical therapists.

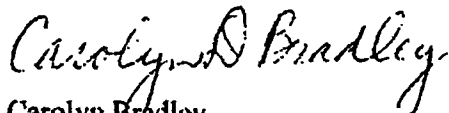
More than ever, children arrive at school doors with complex needs that are real barriers to learning. By addressing the physical, emotional, social and educational needs of the whole child, ESAs make it possible for learning to occur. We, along with the Washington Education Association, encourage the Joint Committee on Pension Policy to consider recommending to the legislature a change in current RCW that recognizes the contribution of these ESAs and expands the definition of members eligible for this provision to include all ESAs. We roughly estimate this provision would affect at the most 600 certified Educational Staff Associates, but recognize that the Office of the State Actuary is better positioned to determine the true fiscal impact of this policy change.



The Honorable Don Carlson
October 30, 2002
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We realize, and apologize, that this is quite late in the legislative interim process. We appreciate the workload the JCPP has taken upon itself this interim, and hope that you can find time to address this one small additional issue.

Sincerely,

A handwritten signature in cursive script that reads "Carolyn D. Bradley".

Carolyn Bradley
Chair

cc: Members of the Joint Committee on Pension Policy

1 AN ACT Relating to allowing members of the teachers' retirement
2 system plan 1 who are employed less than full time as psychologists,
3 social workers, nurses, physical therapists, occupational therapists,
4 or speech language pathologists or audiologists to annualize their
5 salaries when calculating their average final compensation; and
6 amending RCW 41.32.010.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 41.32.010 and 2003 c 31 s 1 are each amended to read
9 as follows:

10 As used in this chapter, unless a different meaning is plainly
11 required by the context:

12 (1)(a) "Accumulated contributions" for plan 1 members, means the
13 sum of all regular annuity contributions and, except for the purpose of
14 withdrawal at the time of retirement, any amount paid under RCW
15 41.50.165(2) with regular interest thereon.

16 (b) "Accumulated contributions" for plan 2 members, means the sum
17 of all contributions standing to the credit of a member in the member's
18 individual account, including any amount paid under RCW 41.50.165(2),
19 together with the regular interest thereon.

1 (2) "Actuarial equivalent" means a benefit of equal value when
2 computed upon the basis of such mortality tables and regulations as
3 shall be adopted by the director and regular interest.

4 (3) "Annuity" means the moneys payable per year during life by
5 reason of accumulated contributions of a member.

6 (4) "Member reserve" means the fund in which all of the accumulated
7 contributions of members are held.

8 (5)(a) "Beneficiary" for plan 1 members, means any person in
9 receipt of a retirement allowance or other benefit provided by this
10 chapter.

11 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
12 in receipt of a retirement allowance or other benefit provided by this
13 chapter resulting from service rendered to an employer by another
14 person.

15 (6) "Contract" means any agreement for service and compensation
16 between a member and an employer.

17 (7) "Creditable service" means membership service plus prior
18 service for which credit is allowable. This subsection shall apply
19 only to plan 1 members.

20 (8) "Dependent" means receiving one-half or more of support from a
21 member.

22 (9) "Disability allowance" means monthly payments during
23 disability. This subsection shall apply only to plan 1 members.

24 (10)(a) "Earnable compensation" for plan 1 members, means:

25 (i) All salaries and wages paid by an employer to an employee
26 member of the retirement system for personal services rendered during
27 a fiscal year. In all cases where compensation includes maintenance
28 the employer shall fix the value of that part of the compensation not
29 paid in money.

30 (ii) For an employee member of the retirement system teaching in an
31 extended school year program, two consecutive extended school years, as
32 defined by the employer school district, may be used as the annual
33 period for determining earnable compensation in lieu of the two fiscal
34 years.

35 (iii) "Earnable compensation" for plan 1 members also includes the
36 following actual or imputed payments, which are not paid for personal
37 services:

1 (A) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wages which the
5 individual would have earned during a payroll period shall be
6 considered earnable compensation and the individual shall receive the
7 equivalent service credit.

8 (B) If a leave of absence, without pay, is taken by a member for
9 the purpose of serving as a member of the state legislature, and such
10 member has served in the legislature five or more years, the salary
11 which would have been received for the position from which the leave of
12 absence was taken shall be considered as compensation earnable if the
13 employee's contribution thereon is paid by the employee. In addition,
14 where a member has been a member of the state legislature for five or
15 more years, earnable compensation for the member's two highest
16 compensated consecutive years of service shall include a sum not to
17 exceed thirty-six hundred dollars for each of such two consecutive
18 years, regardless of whether or not legislative service was rendered
19 during those two years.

20 (iv) For members employed less than full time under written
21 contract with a school district, or community college district, in an
22 instructional position, for which the member receives service credit of
23 less than one year in all of the years used to determine the earnable
24 compensation used for computing benefits due under RCW 41.32.497,
25 41.32.498, and 41.32.520, the member may elect to have earnable
26 compensation defined as provided in RCW 41.32.345. For the purposes of
27 this subsection, the term "instructional position" means a position in
28 which more than seventy-five percent of the member's time is spent as
29 a classroom instructor (including office hours), a librarian, a
30 psychologist, a social worker, a nurse, a physical therapist, an
31 occupational therapist, a speech language pathologist or audiologist,
32 or a counselor. Earnable compensation shall be so defined only for the
33 purpose of the calculation of retirement benefits and only as necessary
34 to insure that members who receive fractional service credit under RCW
35 41.32.270 receive benefits proportional to those received by members
36 who have received full-time service credit.

37 (v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

(11) "Employer" means the state of Washington, the school district, or any agency of the state of Washington by which the member is paid.

(12) "Fiscal year" means a year which begins July 1st and ends June 30th of the following year.

1 (13) "Former state fund" means the state retirement fund in
2 operation for teachers under chapter 187, Laws of 1923, as amended.

3 (14) "Local fund" means any of the local retirement funds for
4 teachers operated in any school district in accordance with the
5 provisions of chapter 163, Laws of 1917 as amended.

6 (15) "Member" means any teacher included in the membership of the
7 retirement system. Also, any other employee of the public schools who,
8 on July 1, 1947, had not elected to be exempt from membership and who,
9 prior to that date, had by an authorized payroll deduction, contributed
10 to the member reserve.

11 (16) "Membership service" means service rendered subsequent to the
12 first day of eligibility of a person to membership in the retirement
13 system: PROVIDED, That where a member is employed by two or more
14 employers the individual shall receive no more than one service credit
15 month during any calendar month in which multiple service is rendered.
16 The provisions of this subsection shall apply only to plan 1 members.

17 (17) "Pension" means the moneys payable per year during life from
18 the pension reserve.

19 (18) "Pension reserve" is a fund in which shall be accumulated an
20 actuarial reserve adequate to meet present and future pension
21 liabilities of the system and from which all pension obligations are to
22 be paid.

23 (19) "Prior service" means service rendered prior to the first date
24 of eligibility to membership in the retirement system for which credit
25 is allowable. The provisions of this subsection shall apply only to
26 plan 1 members.

27 (20) "Prior service contributions" means contributions made by a
28 member to secure credit for prior service. The provisions of this
29 subsection shall apply only to plan 1 members.

30 (21) "Public school" means any institution or activity operated by
31 the state of Washington or any instrumentality or political subdivision
32 thereof employing teachers, except the University of Washington and
33 Washington State University.

34 (22) "Regular contributions" means the amounts required to be
35 deducted from the compensation of a member and credited to the member's
36 individual account in the member reserve. This subsection shall apply
37 only to plan 1 members.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24)(a) "Retirement allowance" for plan 1 members, means monthly
4 payments based on the sum of annuity and pension, or any optional
5 benefits payable in lieu thereof.

6 (b) "Retirement allowance" for plan 2 and plan 3 members, means
7 monthly payments to a retiree or beneficiary as provided in this
8 chapter.

9 (25) "Retirement system" means the Washington state teachers'
10 retirement system.

11 (26)(a) "Service" for plan 1 members means the time during which a
12 member has been employed by an employer for compensation.

13 (i) If a member is employed by two or more employers the individual
14 shall receive no more than one service credit month during any calendar
15 month in which multiple service is rendered.

16 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
17 sick leave may be creditable as service solely for the purpose of
18 determining eligibility to retire under RCW 41.32.470.

19 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
20 state retirement system that covers teachers in public schools may be
21 applied solely for the purpose of determining eligibility to retire
22 under RCW 41.32.470.

23 (b) "Service" for plan 2 and plan 3 members, means periods of
24 employment by a member for one or more employers for which earnable
25 compensation is earned subject to the following conditions:

26 (i) A member employed in an eligible position or as a substitute
27 shall receive one service credit month for each month of September
28 through August of the following year if he or she earns earnable
29 compensation for eight hundred ten or more hours during that period and
30 is employed during nine of those months, except that a member may not
31 receive credit for any period prior to the member's employment in an
32 eligible position except as provided in RCW 41.32.812 and 41.50.132;

33 (ii) If a member is employed either in an eligible position or as
34 a substitute teacher for nine months of the twelve month period between
35 September through August of the following year but earns earnable
36 compensation for less than eight hundred ten hours but for at least six
37 hundred thirty hours, he or she will receive one-half of a service
38 credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

1 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
2 through September 1, 1991, means a position which normally requires two
3 or more uninterrupted months of creditable service during September
4 through August of the following year.

5 (b) "Eligible position" for plan 2 and plan 3 on and after
6 September 1, 1991, means a position that, as defined by the employer,
7 normally requires five or more months of at least seventy hours of
8 earnable compensation during September through August of the following
9 year.

10 (c) For purposes of this chapter an employer shall not define
11 "position" in such a manner that an employee's monthly work for that
12 employer is divided into more than one position.

13 (d) The elected position of the superintendent of public
14 instruction is an eligible position.

15 (38) "Plan 1" means the teachers' retirement system, plan 1
16 providing the benefits and funding provisions covering persons who
17 first became members of the system prior to October 1, 1977.

18 (39) "Plan 2" means the teachers' retirement system, plan 2
19 providing the benefits and funding provisions covering persons who
20 first became members of the system on and after October 1, 1977, and
21 prior to July 1, 1996.

22 (40) "Plan 3" means the teachers' retirement system, plan 3
23 providing the benefits and funding provisions covering persons who
24 first become members of the system on and after July 1, 1996, or who
25 transfer under RCW 41.32.817.

26 (41) "Index" means, for any calendar year, that year's annual
27 average consumer price index, Seattle, Washington area, for urban wage
28 earners and clerical workers, all items compiled by the bureau of labor
29 statistics, United States department of labor.

30 (42) "Index A" means the index for the year prior to the
31 determination of a postretirement adjustment.

32 (43) "Index B" means the index for the year prior to index A.

33 (44) "Index year" means the earliest calendar year in which the
34 index is more than sixty percent of index A.

35 (45) "Adjustment ratio" means the value of index A divided by index
36 B.

37 (46) "Annual increase" means, initially, fifty-nine cents per month

1 per year of service which amount shall be increased each July 1st by
2 three percent, rounded to the nearest cent.

3 (47) "Member account" or "member's account" for purposes of plan 3
4 means the sum of the contributions and earnings on behalf of the member
5 in the defined contribution portion of plan 3.

6 (48) "Separation from service or employment" occurs when a person
7 has terminated all employment with an employer.

8 (49) "Employed" or "employee" means a person who is providing
9 services for compensation to an employer, unless the person is free
10 from the employer's direction and control over the performance of work.
11 The department shall adopt rules and interpret this subsection
12 consistent with common law.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	10/27/04	Z-0178.1/Z-0179.1

SUMMARY OF BILL:

This bill impacts the Teachers' Retirement System (TRS) Plan 1 by allowing Certified Educational Staff Associates (ESAs) to annualize their salaries when calculating their average final compensation so they may receive proportionate retirement benefits.

Effective Date: 90 days after session

CURRENT SITUATION:

Current TRS 1 statutes allow less-than-full-time members who spend more than seventy-five percent of their time as classroom instructors, librarians or counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. School counselors are Certified ESAs, and are the only category of ESAs allowed to annualize their salaries in the same manner as teachers and librarians. Other categories of ESAs (not allowed to annualize their salaries) include Psychologists, Social Workers, Nurses, Physical Therapists and Speech Language Pathologists or Audiologists.

MEMBERS IMPACTED:

We estimate that 30 TRS 1 active members out of the total 11,175 active members of this system would be affected by this bill because they are in the category of ESA that would be added and they earned less than a full year of service in the most recent year.

We estimate that for a typical member impacted by this bill, the increase in benefits would be to double their benefit (based on annualizing their pay using their service credit - the actual annualizing could be different). These 30 members currently have 14.0 years of service and estimated average final compensation of \$31,133 and a benefit of \$8,717 before this change. After this change their estimated average final compensation would be \$50,261 and their current benefit would increase to \$14,073.

ASSUMPTIONS:

In absence of individual member data we assumed that the member's pay would increase in proportion to their fractional service credit. In other words, a member who currently receives half a year of service credit would have their average final compensation doubled for this purpose. The average valuation years of service for the group was 0.62, so their average compensation would increase by $1/0.62$, or 61.29%.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>	Teachers Retirement System Plan 1		
	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	\$10,767	\$1.9	\$10,769
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	\$1,416	\$1.9	\$1,418
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	\$1,121	\$1.5	\$1,123

Increase in Contribution Rates:

Employee	N/A
Employer State	0.0037%

Fiscal Budget Determinations:

None. The estimated increase in the required employer contribution rate is less than .005% and therefore will not round up to the minimum increase of .01%.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2003 actuarial valuation report of the Teachers' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2005 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.